



ANNUAL REPORT 2009-10

Board of Directors

SUSHIL KUMAR CHURIWALA
ARUN KUMAR CHURIWAL
SANTOSH KUMAR MODI
R.C. GOYAL
NANDKISHORE RATHI
SANDEEP KUMAR CHURIWALA
SAKET KUMAR CHURIWALA

Senior Executives

B.P. VYAS
Vice President (Finance)
SRINATH SHASTRY P.
Vice President (Commercial)
ASHOK KUMAR SAHOO
Company Secretary

Auditors

G. Bagrodia & Company

Bankers

State Bank of India
Export Import Bank of India

Registered Office

'WHITE HOUSE'
23-29, St. Marks' Road,
Bangalore - 560 001

Plant

Plot No. 40A - 40D,
KIADB Industrial Area,
Chintamani Road, Hoskote Taluk,
Bangalore District



SEVENTEENTH ANNUAL GENERAL MEETING

Date : 27-09-2010, Monday **Time :** 10.30 A.M.

Venue :

Krishna Hall, Woodlands Hotel

5, Rajaram Mohan Roy Road, Bangalore - 560 025

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NOTICE

NOTICE IS HEREBY GIVEN THAT the **Seventeenth Annual General Meeting** of the Company will be held on **Monday, the 27th day of September 2010 at 10.30 A.M. at Woodlands Hotel, 5, Rajaram Mohan Roy Road, Bangalore - 560 025** to transact the following business :

As Ordinary Business

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended 31st March, 2010 together with Reports of the Directors and Auditors thereon.
- To appoint a Director in place of Sri Arun Kumar Churiwal, who retires by rotation and, being eligible, offers himself for re-appointment.
- To appoint a Director in place of Sri Santosh Kumar Modi, who retires by rotation and, being eligible, offers himself for re-appointment.
- To appoint the Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

By order of the Board
for **SILKTEX LIMITED**

Place : Bangalore
Date : 04-08-2010

Sushil Kumar Churiwala
Chairman and Managing Director

Notes

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
- The Register of members and share transfer books of the Company shall remain closed from 24th September, 2010 to 27th September, 2010 (both days inclusive).
- Details of the Directors seeking Re-appointment in this Annual General Meeting attached separately to the notice.
- Pursuant to section 205A(5) of the Companies Act, 1956, dividend which remain unpaid or unclaimed for a period of seven years will be transferred by the Company to Investor Education and Protection Fund established by the Government pursuant to section 205C Companies Act, 1956. Members who have not so far encashed their Dividend warrant(s) are requested to make a claim by writing and sending the original dividend warrant(s) to the Company. No claim shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of such claims. In pursuance of above, the Company has already transferred Unclaimed Dividend for the year 2001-02 to IEPF.

Unpaid or unclaimed dividend as on 31st March, 2010 as given below :

Financial year	Date of Declaration of Dividend	Unpaid / Unclaimed Amount	Due Date for transfer to Investor Education Protection Fund of Govt. of India
2002-03*	30-12-2003	2,41,200	January, 2011
2003-04	27-09-2004	2,99,980	October, 2011
2004-05	17-09-2005	4,35,412	October, 2012
2005-06	29-09-2006	2,99,874	October, 2013
2006-07	22-09-2007	2,87,213	October, 2014
2007-08	26-09-2008	1,52,007	October, 2015

* The Shareholders who have not yet claimed the said dividend, are requested to lodge their claim by submitting an application and indemnity bond before January 2011. A format of the Indemnity Bond is given in the Page No.14. Kindly note that no claim shall lie against the Company or the IEPF once the dividend amount deposited to IEPF.

- Members / Proxies MUST bring the attendance slip duly filled in for attending the Meeting and are also requested to bring their copies of Annual Report to the Meeting.
- Members desirous of getting any information about the accounts and operations of the Company are requested to send their queries in writing at least 7 days in advance of the date of the meeting so that the information can be made available at the time of the meeting.
- Members are requested to notify immediately any change of address to Company /Registrars (for shares held in physical form) and to Depository Participants (for shares held in dematerialised form).

By order of the Board
for **SILKTEX LIMITED**

Place : Bangalore
Date : 04-08-2010

Sushil Kumar Churiwala
Chairman and Managing Director

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DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT

ORDINARY BUSINESS IN NOTICE

1. Sri A.K. Churiwal

Father's Name	:	Paramanand Churiwal
Date of Birth	:	15-05-1950
Date of Appointment	:	22-10-1994
Expertise in specific Areas	:	He is an Industrialist and has vast experience in the Textile Industry. He has been associated with the Company since inception and has been guiding the unit from time to time.
Qualification	:	Post Graduate
List of Outside Directorship held	:	BSL Ltd., RSWM Ltd., LNJ Financial Services Ltd., LA Opala RG Ltd., Churiwala Properties & Investment Pvt. Ltd. & PRC Niyojan Pvt. Ltd.
Member of Committee's of the Board	:	—
Member of Committee's in other Company	:	BSL Ltd. - Shareholders' / Investors' Grievance Redressal Committee

2. Sri S.K. Modi

Father's Name	:	G.L. Modi
Date of Birth	:	15-01-1951
Date of Appointment	:	23-01-2002
Expertise in specific Areas	:	He is a prominent Businessman. He has rich experience of Business and Industry since last 25 years.
Qualification	:	Graduate
List of Outside Directorship held	:	Bellary Iron Ores Pvt. Ltd., Vibhutiguda Mines Pvt. Ltd., KPF Pvt. Ltd., Hindustan Calcined Metals Pvt. Ltd.
Member of Committee's of the Board	:	Audit Committee
Member of Committee's in other Company	:	—

DIRECTORS' REPORT

Your Directors are pleased to present the Seventeenth Annual Report on the business and operations of the Company and the audited statement of accounts for the year ended 31 March, 2010.

Financial Results and Appropriations : (Rs. in Lacs)

Particulars	2009-10	2008-09
Operating Profit	303.58	498.10
Profit before tax	(53.61)	28.83
Provision for taxation	3.36	39.04
Provision for deferred tax	(7.65)	38.00
Profit after tax	(49.32)	(48.21)
Profit brought forward from previous year	966.02	1014.23
Profit available for appropriation	916.70	966.02

Operation and Business Performance

During the year 2009-10, the Company has faced an unprecedented situation in global market as compared to previous year and experienced drop in turnover. Due to increase in Raw Material costs, adverse effect on realization value and higher interest rates, the profit before tax as well as net profit has dropped as compared to previous year.

Overall the world economy is showing the signs of improvements this year. Your Directors hope to come out of this situation shortly. Your Company is putting all its efforts to achieve better performance.

Dividend

During the year ended 31st March, 2010, the Board has not recommended any dividend for the year under review.

Directors

In terms of provisions of the Companies Act, 1956 and Articles of Association of the Company, Sri A.K. Churiwal and Sri S.K. Modi retire by rotation and being eligible, offer themselves for re-appointment.

Directors' responsibility statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirm that :

- In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- Appropriate accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the Financial Year and of the Profit of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

Corporate Governance

To comply with conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreement with Stock Exchange, Corporate Governance Report and Auditors' Certificate are included in the Annual Report.

Conservation of energy, Technology absorption and Foreign exchange earnings and outgo

Information under Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Directors) Rules, 1988 is set out in Annexure-A, forming part of this report.

Management Discussion & Analysis Report

Management Discussion & Analysis Report is enclosed at Annexure-B to this report.

Particulars of employees

There are no employees employed during the year or part of the year who were in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Auditors

M/s. G. Bagrodia & Company, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. Directors recommend the appointment of the retiring Auditors.

Auditors' Report

Regarding Point No. 4 of the Audit Report, this is to state that :

The Company is taking all necessary steps to realize the money due to the Company. Management is confident to realize all the dues.

The inventories are valued as per the costing method followed by the Company as required under Costing record Rules. The old unsold traded goods do not include the complicated fashion designs, which will get outdated within short span of time. And the quality of the fabric is not deteriorated by afflux of time.

Acknowledgements

Your Directors wish to place on record their appreciation for the excellent co-operation and assistance received from Bankers, Financial Institutions, Central and State Government. We express our wholehearted thanks to the customers and suppliers for their valued patronage and the shareholders for the continued confidence reposed in the Company and its Management.

Your Directors also wish to place on record their appreciation for the total dedication and wholehearted efforts made by employees of the Company.

Propelled by its vision and powered by internal vitality, your Directors look forward to the future with confidence.

For and on behalf of the Board

Place : Bangalore
Date : 04-08-2010

Sushil Kumar Churiwala
Chairman and Managing Director

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ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - A

Information as required under Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

CONSERVATION OF ENERGY

A. Energy conservation measures taken.

The Company has been using the latest techniques and equipment available in the field of energy conservation.

The Company has been using its own D.G. sets, which ensures continuous and quality supply of power.

B. Additional Investments and proposals if any, being implemented for reduction of consumption of energy. The Company has started the process to undertake power audit to eliminate any wastages and conserve of power.

The Company has invested in the latest and best technology available so far and hence there is no proposal to invest any further amounts.

C. Impact of the measures taken for reduction of energy consumption and consequent impact on the cost of production.

Energy conservation measures taken so far have resulted in improved energy efficiency. This has resulted in ensuring adequate and uninterrupted supply of good quality power at the least possible cost leading to better utilisation and low cost of production. Efforts continue to further optimize energy productivity through ongoing and planned measures.

D. Total energy consumption and energy consumption per unit of production

FORM "A"

Form for disclosure of particulars with respect to Conservation.

		Current Year	Previous Year	
A.	Power & Fuel Consumption			
1.	a) Electricity purchased	Units	10,68,538	10,52,620
	Rate / unit	Rs.	4.65	4.44
	Total Amount	Rs.	49,63,737	46,73,854
	(Includes fixed demand charges)			
	b) Own Generation			
	(i) Through Diesel Generator	Units	11,82,404	12,69,496
	Units / Ltr. of Diesel oil	Units	3.27	3.27
	Cost / unit	Rs.	10.90	11.12
	(ii) Through steam turbine / generator		Nil	Nil
2.	Coal		Nil	Nil
3.	Furnace Oil		Nil	Nil
4.	Others / Internal Generation		Nil	Nil
B.	Consumption per unit of Production			
	Products units : Raw Silk Yarn	Kgs	58,552	88,230
	Electricity : (Units consumed / Mtrs)		8.03	5.30
	Furnace Oil		Nil	Nil
	Coal		Nil	Nil
	Others		Nil	Nil

FORM "B"

Form for disclosure of particulars with respect to Absorption.

A. RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company :

- (i) Quality enhancement of existing products with new and improved designs with different weaves and twists.
- (ii) Development and evaluation of alternate and cheaper raw materials.
- (iii) New product / process developments in-house.

2. Benefits derived as a result of the above R & D efforts :

- (i) Consistent quality product along with development of designs of International Standards.
- (ii) Lower cost of production.

3. Future plan of action :

Continuation of R & D efforts towards quality improvement, development of new designs and cost reduction.

4. Expenditure on R & D :

- (i) Capital : Nil
- (ii) Recurring : Rs.50,89,636/-
- (iii) Total : Rs.50,89,636/-
- (iv) Total R & D expenditure as percentage of total turnover : 2.51%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made toward technology absorption, adaptation and innovation :

- (i) Continuous information upgradation with R & D Divisions of overseas designers / buyers.
- (ii) Adaptation of sophisticated technologies in development of new designs / products.
- (iii) Use of high tech loom technology for better and faster weaving.

2. Benefits derived as a result of the above efforts :

- (i) All round quality improvement in product and design.
- (ii) Reduced cost and increased productivity.

3. Information regarding imported technology

(imported during the last 5 years reckoned from the beginning of the financial year) : No technology has been imported for the last five years.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Particulars	Year ended 31st March, 2010 Rs.	Year ended 31st March, 2009 Rs.
Earning in Foreign Currency :		
FOB value of exports	19,19,00,157	27,12,66,918
Expenditure in Foreign Currency :		
CIF value of import of Raw Silk Yarn	5,13,01,975	9,62,59,456
Dyes, Chemicals and Spares & Stores	13,80,697	43,93,388
Other expenses	1,43,31,797	2,03,91,353
Import of Capital Goods	—	81,371

For and on behalf of the Board

Place : Bangalore
Date : 04-08-2010

Sushil Kumar Churiwala
Chairman and Managing Director

ANNEXURE - B

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

Indian textiles industry is a well-established with showing strong features and a bright future. In fact, the Country is the second biggest textiles manufacturer worldwide, right after China. Similar force is demonstrated in the cotton production and consumption trend where India ranks just after China and USA. The textiles manufacturing business is a pioneer activity in the Indian manufacturing sector and it has a primordial importance in the economic life of the Country, which is still predominantly based on the agro-alimentary sector.

OPPORTUNITIES AND THREATS

a) Opportunities

The Company has commenced the retail initiatives in Indian Markets. The Company has taken various initiatives to broaden the product mix coupled with the state of the art R & D and designing capabilities has facilitated opportunities to make entry into the new markets in addition to the existing US and EU, Middle East & Far East Countries.

b) Threats

The threat perception in our business includes increase in Raw materials costs from China, lower consumption in USA & West European countries, fluctuation in foreign exchange rates as well as increase in interest rate on borrowings.

SEGMENT-WISE PERFORMANCE

The Company has only single Reportable Business Segment in terms of requirements of AS 17.

OUTLOOK FOR THE INDUSTRY

Many manufacturing companies in India are rushing towards expansion and modernization options. Business collaborations with foreign players, creation of buying offices and Government's effort to enhance quality production and export are many visible signs of Indians coming into force on the global market.

The Government has been making every effort to ensure that India's Textile & Clothing Exports are increased in the global market. These initiatives include exploiting potential markets where the share of India's Textile & Clothing exports could be enhanced. The LAC countries viz. Brazil & Argentina have been identified among such focused countries because of their immense potential.

Silk fabrics being a premium segment is yet to see the kind of increase in market share of overall Textile Export. However, there has been positive response shown by the overseas buyers at present.

OUTLOOK FOR THE COMPANY

Your Company has put in place a series of initiatives, which will give positive direction to the business. Company is confident that we are well-positioned to face the challenges that lie ahead. The business with its enhanced capacity and competitive ability backed by a range of world-class products and an all pervasive culture of innovation is well poised to sustain the growth in the years to come.

RISKS & CONCERNS

Your Company product is intrinsically linked to the fashion industry and more importantly, growth of the economy. Any slowdown of the economic growth or fashion industry growth would have a direct impact on the demand of our product. But the Company feels that the effect of such slow down in the long run is very minimal.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems and procedures regarding purchase of assets and sale of finished goods. All the transactions are authorized, recorded and reported correctly.

The Company has an independent internal auditing system. Professionally qualified firm conducts periodic audits to ensure that the Company's internal control systems are adequate and are complied with.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECTS TO OPERATIONAL PERFORMANCE

The details on financial performance with respect to operational performance are available in the Balance Sheet, Profit & Loss and other financial statements appearing separately.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

People have always been the strength of the Company. Only with their participation, we can manage to achieve a healthy work culture, transparency in working, fair business practices and a passion for efficiency. To enhance their skills and enrich their experience, the Company provides continuous training.

CORPORATE GOVERNANCE REPORT

1. PREAMBLE

Corporate Governance is the harmonized management of all facets of our organization including wealth creation for shareholders, total compliance with all legal requirements, auditable internal control systems, moving towards leadership in our business across the globe through quality and value based product offers, preparing and strategically moving ahead of business cycle recessions, enhancing the intellectual wealth of our human resources and continuously self evaluated social responsibility shouldering. We believe that all said and done it is each individual's core integrity and balance between self and society that matter's in real quality of Corporate Governance.

2. BASIC PHILOSOPHY

In the competitive world, the paramount thing is to maintain harmony with the nature and existence to thrive. It is inner energy that has to be kept harmonious, positive and confident to perform all duties to excess in the world of business.

We are committed to maintain this balance through caring for environment, welfare of human resources and society by and large. With this core pillars the Company is firmly working towards becoming the global leader in its business. We do develop literature on Corporate Governance, code of conduct etc., for introductory guidance, but believe in firm commitment to core values in each individual across the Company and nourish the core integrity values.

Securities and Exchange Board of India has defined the minimum standards of code of Corporate Governance. A report on the implementation of the code of Corporate Governance prescribed by Securities and Exchange Board of India and incorporated in the listing agreement is given below.

3. BOARD OF DIRECTORS

The Board of Directors of the Company comprises of 7 Directors as on 31st March, 2010. This includes three Executive Directors, including Chairman and four Non-Executive Directors. Four out of seven Directors are Independent Directors. During 2009-2010 the Board duly met on five occasions on 25th April, 2009, 29th June, 2009, 31st July, 2009, 28th October, 2009 and 29th January, 2010.

The details of the Directors as on 31st March, 2010 and attendance at Board meetings held during the financial year are as follows :

Name of Director (Title)	Category	No. of Board Meetings Attended	Attendance at last AGM	No. of Director-ships in other Companies	No. of Membership of Board Committees
S.K. Churiwala (Chairman and Managing Director)	Promoter Executive	5	Yes	4	2
A.K. Churiwal (Director)	Non-Executive Independent	—	No	6	1
S.K. Modi (Director)	Non-Executive Independent	2	No	4	1
R.C. Goyal (Director)	Non-Executive Independent	5	Yes	1	1
Nandkishore Rathi (Director)	Non-Executive Independent	5	Yes	1	2
Sandeep Churiwala (Whole-time-Director)	Promoter Executive	5	Yes	3	2
Saket Kumar Churiwala (Executive Director)	Promoter Executive	5	Yes	1	1

4. AUDIT COMMITTEE

The Audit Committee consists of 3 non-executive Independent Directors. The Audit Committee met four times during the year on 29th June, 2009, 31st July, 2009, 28th October, 2009 and 29th January, 2010. Sri R.C. Goyal chaired the meetings. The composition of the Audit Committee and attendance at its meetings is given below :

Name of the member	No. of meetings attended
Sri R.C. Goyal	4
Sri S.K. Modi	2
Sri Nandkishore Rathi	4

The Company Secretary acts as Secretary to the Committee.

The terms of reference of the Audit Committee includes the matters specified under Clause 49 of the Listing Agreement as well as those in Section 292A of the Companies Act, 1956 and inter-alia includes the following :

- Oversee the Company's financial reporting process and disclosures of financial information to ensure that the financial statement is sufficient and credible;
- Review internal audit function as regards its adequacy, scope, frequency and review of the reports etc.
- Reviewing the annual financial statements before submission to the Board;
- Review Auditor's report, internal controls and recommendations relating thereto.

During the period under review, the Audit Committee reviewed with the Management the unaudited and audited financial statements and adequacy of internal control systems, about the scope of internal audit, observation of the auditors on any significant findings.

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5. SHAREHOLDERS' / INVESTORS GRIEVANCE COMMITTEE

The Shareholders' / Investors Grievance Committee comprises of three Directors and the Chairman is Independent Director.

Sri Nandkishore Rathi (Non-Executive)
Sri Sandeep Kumar Churiwala (Executive)
Sri Sushil Kumar Churiwala (CMD)

The Shareholders' / Investors Grievance Committee deals with various matters relating to Redressal of shareholders and investor complaints e.g. transfer of shares, non receipt of balance sheet, non receipt of declared dividend etc. and Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time. The numbers of complaints received and replied during the financial year ended 31st March, 2010 was 12 and there were no complaints outstanding as on 31st March, 2010.

The Committee met two times during the year on 28th October, 2009 and 29th January, 2010.

6. SHARE TRANSFER COMMITTEE

The Share Transfer Committee has following members :

Sri Sushil Kumar Churiwala
Sri Sandeep Kumar Churiwala

The Share Transfer Committee deals with various matters relating to share transfer, share transmission, issue of duplicate share certificates, the dematerialisation and rematerialisation of shares as well as other matters that relate to the transfer and registration of shares. The Committee meets at regular intervals. The Company had no share transfer requests pending as on 31st March, 2010.

The details of remuneration of the Directors during the year 2009-10 :

Name of Director	Sitting Fees	Salary	Commission	Perquisites	Total
S.K. Churiwala	—	14,64,000	—	—	14,64,000
A.K. Churiwal	—	—	—	—	—
S.K. Modi	10,000	—	—	—	10,000
R.C. Goyal	20,000	—	—	—	20,000
N.K. Rathi	20,000	—	—	—	20,000
Sandeep Churiwala	—	8,34,300	—	—	8,34,300
Saket Kumar Churiwala	—	12,61,000	—	—	12,61,000

The Non-Executive Directors are paid remuneration by way of Sitting Fees in terms of provisions of the Articles of Association of the Company and subject to the limits prescribed under the provisions of the Companies Act 1956. The Sitting fees, as determined by the Board is payable for each meeting of the Board, Audit Committee on a uniform basis.

The number of shares held by the Non-Executive directors as on 31st March, 2010 :

Director	No. of Equity Shares of Rs.10/- each held singly or jointly
Sri Arun Kumar Churiwal	100
Sri S.K. Modi	2,500
Sri R.C. Goyal	Nil
Sri Nandkishore Rathi	10,500

There are no convertible instruments held by Non-Executive Directors.

Mr. Ashok Kumar Sahoo, Company Secretary is the Compliance Officer of the Company.

7. INVESTMENT COMMITTEE

The Investment Committee has following members :

Sri Sushil Kumar Churiwala
Sri Sandeep Kumar Churiwala

The Investment Committee has been constituted for investing the funds of the Company in various securities on short term and long term basis as well as in mutual funds which yield better return for the investments. The Committee met once during the year on 29th January, 2010. The Company Secretary acts as Secretary to the Committee.

8. REMUNERATION COMMITTEE

Remuneration Committee has been constituted to look into the payment of remuneration to the Executive Directors including pension rights and any compensation payment thereof.

The Remuneration Committee has following members :

Sri R.C. Goyal
Sri N.K. Rathi
Sri S.K. Modi

The Committee met twice during the year on 29th June, 2009 and 31st July, 2009. The Company Secretary acts as Secretary to the Committee.

9. REMUNERATION OF DIRECTORS

The Board of Directors decides the remuneration to the Whole-time-Directors in accordance with the provisions of the Schedule XIII of the Companies Act, 1956 and also approval of the Shareholders is obtained at the General Meeting.

10. DISCLOSURES

There are no significant related party transaction during the year that are prejudicial to the interest of the Company at large.

The Company Complied with the requirements of Stock Exchanges, SEBI and other statutory Authorities related to Capital Market. During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

11. ANNUAL GENERAL MEETINGS

The last three Annual General Meetings of the Company were held at Hotel Woodlands, Rajaram Mohan Roy Road, Bangalore - 560 025 on the following dates and time :

Financial Year	Date	Day	Time	No of Special Resolutions passed
2008-2009	25th September, 2009	Friday	10.30 A.M.	1
2007-2008	26th September, 2008	Friday	10.30 A.M.	1
2006-2007	22nd September, 2007	Saturday	10.30 A.M.	1

- a) No Extra-Ordinary General Meeting of the shareholders was held during last year.
- b) There was no special resolution put through postal ballot last year.

12. MEANS OF COMMUNICATION

- a) The Quarterly and Half yearly results are published in leading newspapers. The annual audited results on approval by the Board are also published within sixty days of the close of the financial year.
- b) The results are also sent to the Stock Exchanges immediately on approval of the Board.
- c) Company's website is : www.silktexlimited.com
- d) During the year the Company has not made any presentation to institutional investors or the analysts.
- e) The Management discussion and Analysis report forms part of the Directors' Report.

13. COMPLIANCE

The Company is complying with all the mandatory requirements of Clause 49 of the listing agreement. Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

The Compliance Certificate obtained from statutory auditors M/s. G. Bagrodia & Company is enclosed.

14. SHAREHOLDERS' INFORMATION

a) Annual General Meeting :

Date and Time	27th September, 2010, 10.30 A.M.
Venue	Hotel Woodlands, No. 25, Rajaram Mohan Roy Road, Bangalore - 560 025.

- b) **Financial Calendar :** 2009-2010
1st April, 2009 to
31st March, 2010
- Financial reporting
for the quarter ending
30th June, 2010 End of 15th August, 2010
30th September, 2010 End of 15th November, 2010
31st December, 2010 End of 15th February, 2011
for the Year ending
31st March, 2011 End of May, 2011
- c) **Dates of Book Closure :** 24th September, 2010 to
27th September, 2010
(both days inclusive)

d) Dividend :

During the year ended 31st March, 2010, the Board has not recommended any dividend for the year under review.

e) Stock Exchanges where listed :

(Stock Code) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
(526835)

The Company has paid annual listing fees to the above Stock Exchange for the financial year 2010-11.
(The approval for the delisting from Calcutta Stock Exchange Assn. Ltd. is awaited)

f) Market Price Data :

The data on price of equity shares of the Company are as under :

High, Low during each month in last financial year and Performance in comparison to broad based BSE indices.

Month	BSE SENSEX		SILKTEX LIMITED SHARE PRICE – BSE		
	High	Low	High	Low	Volume
April, 2009	11,492.10	9,546.29	12.60	9.07	2,75,361.00
May, '09	14,930.54	11,621.30	15.38	10.43	7,94,157.00
June, '09	15,600.30	14,016.95	18.75	13.00	8,73,338.00
July, '09	15,732.81	13,219.99	13.90	10.40	2,48,303.00
August, '09	16,002.46	14,684.45	14.45	11.00	5,41,220.00
September, '09	17,142.52	15,356.72	15.35	12.51	17,70,986.00
October, '09	17,493.17	15,805.20	15.80	12.11	10,65,052.00
November, '09	17,290.48	15,330.56	14.65	11.65	5,53,763.00
December, '09	17,530.94	16,577.78	15.95	12.01	8,68,761.00
January 2010	17,790.33	15,982.08	17.50	12.11	22,47,281.00
February, '10	16,669.25	15,651.99	14.50	11.27	3,55,810.00
March, '10	17,793.01	16,438.45	15.40	11.20	12,93,250.00

g) Dematerialisation of Shares and liquidity :

The ISIN No. (Demat number) on both NSDL and CDSL is INE056B01012.

As on 31st March, 2010, 45,40,846 number of equity shares being 59.75% of the total equity share capital of

the Company were held in dematerialised form. The Company's shares are compulsorily traded in dematerialised form. The Company's shares were regularly traded on Mumbai Stock Exchange.

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h) Share Transfer Agent : M/s. Alpha Systems Pvt. Ltd.
No. 30, Ramana Residency
4th Cross, Sampige Road,
Malleswaram,
Bangalore - 560 003.
Ph: 080 – 23460815 / 818
Fax: 080 – 23460819

For Share Transfers and other communications regarding Share Certificates, change of address, demat and other matters, please write to or contact Share Transfer Agent of the Company at the address given above.

Share transfer system :

The applications for transfer of shares received by the Company's Registrar and Share Transfer Agents in physical form are processed, registered within 20 days of receipt of the documents valid in all respects. After processing, share certificate(s) is / are issued to shareholders within 30 days of receipt of certificate for transfer. Shares under objection are returned within a week's time. The transfer applications are approved fortnightly.

Secretarial Audit :

The Secretarial Audit of the Company is being carried every quarter by a qualified Practicing Company Secretary

to reconcile the total admitted capital with National Securities Depository Limited, Central Depository Services (India) Limited and Physical shares with the total issued and listed capital. The audit confirms that the total paid up capital is in agreement with the total number shares in physical form and the total number of dematerialised shares.

i) Unclaimed Dividend :

Members who have not so far encashed the dividend warrants in respect of earlier years are requested to send back the warrant for revalidation or to seek issue of duplicate warrants by writing to the office of the Registrar and Transfer Agent, M/s. Alpha Systems Pvt. Ltd., Members are requested to note that in terms of Section 205C of the Companies Act, 1956, any dividend unclaimed for a period of 7 years from the date these first became due for payment are required to be transferred to Investor Education and Protection Fund established by the Central Government.

Hereunder are the details of Dividends paid by the Company and their respective due dates of transfer of unclaimed dividends to the designated fund of the Central Government :

Date of Declaration of Dividend	Dividend for the year	Due date of transfer to the Government
30th December, 2003	2002-03	January, 2011
27th September, 2004	2003-04	October, 2011
17th September, 2005	2004-05	October, 2012
29th September, 2006	2005-06	October, 2013
22nd September, 2007	2006-07	October, 2014
26th September, 2008	2007-08	October, 2015

It may please be noted that once the unclaimed dividend is transferred to "The Investor Education & Protection Fund", as above, no claim shall lie in respect of such amount by the shareholder.

j) Bank Details :

Shareholders holding shares in the physical form are requested to notify / send the following to Alpha Systems Pvt. Ltd., to facilitate better servicing :

a) any change in their address / mandate / bank details and

b) particulars of the bank account in which they wish their dividend to be credited, in case have not been furnished earlier.

Shareholders are advised that respective bank details as provided will be printed on their dividend warrants as a measure of protection against fraudulent encashment.

Shareholders holding shares in electronic form may please note that instructions regarding bank details may be submitted to their Depository Participants.

k) Distribution of shareholdings as on 31st March, 2010 :

No. of Equity shares Held	No. of share holders	% of share holders	No. of shares	% of share holding
1 - 500	5,718	85.43	8,33,297	10.96
501 - 1000	422	6.31	3,55,722	4.68
1001 - 2000	227	3.39	3,62,569	4.77
2001 - 3000	121	1.81	3,08,726	4.06
3001 - 4000	32	0.48	1,13,256	1.49
4001 - 5000	40	0.60	1,89,592	2.49
5001 - 10000	60	0.90	4,55,890	6.00
10001 and above	73	1.08	49,80,948	65.55
Total	6,693	100.00	76,00,000	100.00

i) Shareholding Pattern as on 31st March, 2010 :

Category	No. of shares Held	Percentage of Shareholding
A. Promoter's holding	32,89,509	43.28
Sub-total	32,89,509	43.28
B. Non-promoters Holding		
Institutional Investors :		
a. Mutual Funds and Unit Trust of India	6,900	0.09
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	1,00,000	1.32
c. Foreign Institutional Investors	—	—
d. Others :		
Private Corporate Bodies	2,72,839	3.59
Public Shareholding	39,30,752	51.72
Sub-total	43,10,491	56.72
Grand Total...	76,00,000	100.00

m) Address for Correspondence :

Investor correspondence should be addressed to
Company Secretary, Silktex Limited,
'White House', No.23-29, St. Marks' Road,
Bangalore - 560 001. Tel : (080) 2222 2365 / 2366,
email ID : info@silktexlimited.com.

15. Code of Professional Conduct :

- a) The Code of Conduct as adopted by the Board of Directors of the Company is applicable to all Directors, Senior Management and functional heads of the Company.

The Company also has a code of conduct for prevention of Insider Trading in the shares and securities of the Company. The code prohibits inter alia purchase / sale of shares of the Company by the employees while in possession of unpublished price sensitive information in relation to the Company. The code also seeks to ensure timely and adequate disclosure of price sensitive information to the investors to enable them to take informed investment decisions with regard to Company's shares.

DECLARATION

Declaration as required under Clause 49 of the Listing Agreement :

All the Directors and Senior Management of the Company have affirmed compliance with the Code of Professional Conduct of the Company for the financial year ended 31st March, 2010.

Place : Bangalore
Date : 04-08-2010

S.K. Churiwala
Chairman and Managing Director

- b) Whistle Blower Policy : The Company encourages an open door policy where employees have access to the head of the Business / Function. Employees can make protective disclosures to the Management about the unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct.

CEO CERTIFICATION

I, S.K. Churiwala, Managing Director, responsible for the finance function certify that :

- 1) I have reviewed the financial statements and cash flow statement for the year ended 31st March, 2010 and to the best of our knowledge and belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- 2) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2010 are fraudulent, illegal or violative of the Company's code of conduct.
- 3) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit committee and steps have been taken to rectify these deficiencies.
- 4)
 - a) There has not been any significant change in internal control over financial reporting during the year under reference.
 - b) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements and;
 - c) We are not aware of any instance during the year of significant fraud with involvement therein of the Management or any employee having a significant role in the Company's internal control system over financial reporting.

Place : Bangalore
Date : 04-08-2010

S.K. Churiwala
Chairman and Managing Director

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INDEMNITY BOND FOR DUPLICATE DIVIDEND WARRANT / DEMAND DRAFT

Company : **SILKTEX LIMITED**

Dividend for the year

This is to certify that I / We have lost / misplaced / not received dividend warrant as per detail given below :

FOLIO No. / DPID-CLIENT ID	Shares held	Warrant No.*	Amount

* To be filled by the Company

I / We hereby request you to issue a duplicate against the dividend warrant or demand draft.

I / We hereby agree to indemnify the Company in the manner herein;

I/We have not charged / pledged, created any lien or any sort of encumbrance or otherwise dealt in so as to create any adverse claim upon the amount of the dividend warrant.

Now it is hereby agreed that in consideration of the Company issuing a duplicate dividend warrant / demand draft for the said amount, I / We hereby covenant at all times hereafter and from time to time to save, defend and keep indemnified the Company and their estates and affects from and against all actions, costs suits, legal proceedings, accounts claims, demands, losses, charges, damages expenses and liabilities of whatsoever nature which the Company may sustain or incur by reason of such issue of duplicate dividend warrant also from against any action which may be accrued thereon and from and against all damages, costs, charge, expenses, which the Company may incur in respect thereof or otherwise in relation to the Companies.

It is hereby further agreed that I / We hereby undertake to return and redeliver such duplicate dividend warrant to the Company on demand by the Company and with or without such demand to produce and or return the original dividend warrant received, at our own cost as the Company shall require for the recovery thereof or otherwise in relation to the premises.

IN WITNESS WHEREOF I / WE HEREOF HEREUNTO SET AND SUBSCRIBED OUR RESPECTIVE HANDS AT

PLACE DATE MONTH

WITNESS

APPLICANT

SIGNATURE

SIGNATURE

NAME

NAME

CONTACT No.

CONTACT No.

ADDRESS

ADDRESS

.....

.....

.....

.....

NOTE : This letter of undertaking should be duly attested by the Bank Manger specifying the account No. or Notarized.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As per Clause 49 of the listing agreement

TO THE MEMBERS OF M/s. SILKTEX LIMITED

We have examined the compliance of conditions of Corporate Governance by M/s. Silktext Limited, for year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of representations received from the Registrars and Share Transfer Agents and as per the records maintained by the Company which are presented to Shareholders Grievance Committee, we state that no investor grievances were pending for a period exceeding one month during the year ended 31st March, 2010.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **G. BAGRODIA AND COMPANY**

Chartered Accountants

Firm No.: 000312S

(G.B. BAGRODIA)

Partner

Membership No.: 14608

PLACE : Bangalore
DATE : 04-08-2010

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AUDITORS' REPORT

To the Members of M/s. SILKTEX LIMITED - Bangalore :

1. We have audited the attached Balance Sheet of M/s. Silktext Limited, as at 31st March, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in Paragraph '4' and '5' of the said Order.
4. Further to our comments in the annexure referred to above, we report that :
Reference is invited to the following notes in Schedule '18' - Notes on Accounts :
 - a) Note No.: B (6) : regarding long pending business advances given to suppliers, which have been classified as considered good by the management;
 - b) Note No.: B (1) : regarding inventories valuation on the basis of costing records certified by cost accountant and at the general average rates. Further old unsold traded goods are valued at cost but we are not able to comment on the carrying value of traded goods;
5. Subject to the above :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report, comply with the accounting standards referred in Sub-Section (3C) of Section 211 of the Companies Act, 1956 subject to Clause 4 (b).
 - (v) On the basis of representations received from the Directors and the Company, which has been taken on record by the Board of Directors and on the basis of review of such representations by us, we report that none of the Directors prima facie as on 31st March, 2010 are disqualified from being appointed as Directors of the Company in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to Paragraph 4 (i) above*, and read together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **G. BAGRODIA AND COMPANY**
Chartered Accountants
Firm No.: 000312S

(G.B. BAGRODIA)
Partner
Membership No.: 14608

PLACE : Bangalore
DATE : 29-05-2010

ANNEXURE TO THE AUDITORS' REPORT:**ANNEXURE REFERRED TO IN PARAGRAPH '3' OF THE REPORT TO THE SHARE HOLDERS OF M/s. SILKTEX LIMITED, BANGALORE, ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010 :**

1. a) The Company has generally maintained proper records showing particulars of fixed assets including quantitative details and their location.
- b) As explained to us, some of the fixed assets were physically verified by the Management during the year in accordance with the program of verification of fixed assets. In our opinion the frequency of verification is reasonable considering the size and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- c) During the year the Company has not disposed off any major fixed assets.
2. a) According to the information and explanations given to us, the Management has physically verified the stock of raw materials and finished goods twice during the year.
- b) In our opinion the procedures and documentation standards of physical verification of all the inventories followed by the Management needs further improvement in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of inventories and production. In our opinion and according to information and explanations given to us the discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) The Company has not taken any loans from parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion, the internal control procedures for the purchase of inventory and fixed assets and sale of goods are commensurate with the size of the Company and the nature of its business except in the area of purchases which needs to be strengthened. During the course of our audit, no major weakness has been noticed in the internal control system.
5. a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- b) There are no transactions of purchases and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5,00,000/- or more in respect of each party.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules made thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. According to the explanations given to us, the Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company. As per the certificate issued by a Cost Accountant, the Company has maintained adequate cost records as prescribed. However we have not carried out the detailed examination of such records.
9. a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other Statutory dues. According to the information and explanations given and the records verified by us, as on the balance sheet date there were no arrears in respect of such statutory dues outstanding for a period of more than six months from the date they became payable as on 31st March, 2010 except Service Tax Rs.2,82,865/- and Karnataka Value Added Tax Rs.9,765/-. There is no unremitted and overdue unpaid dividends into the 'Investor Education and Protection Fund' as on 31st March, 2010.
- b) According to the information and explanations given to us, there are disputed amount of entry tax dues Rs. 1,54,253/- relating to 2003-2004 which is under appeal at Assistant Commissioner of Commercial Taxes, City Division, Bangalore. There are no dues of Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any disputes.
10. The Company do not have accumulated losses. The Company has not incurred cash losses in the financial year and also in the financial year immediately proceeding the financial year under audit
11. According to the information and explanations given to us there were no defaults in repayment of dues to financial institutions or banks.
12. The Company has not granted any advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not carrying on any chit fund, nidhi and mutual benefit fund businesses.
14. The Company is not engaged in dealing or trading in shares, securities, debentures and other investments.
15. The Company has not issued any guarantees to any external parties for loans taken by others from bank or financial institutions.
16. The Company has applied the term loan for the purpose for which it is obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
18. The Company has not made any preferential allotment of shares during the financial year being audited.
19. The Company has not issued any debentures during the financial year being audited.
20. The Company has not raised any money by public issue during the financial being audited.
21. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year under report.

For **G. BAGRODIA AND COMPANY**
Chartered Accountants
Firm No.: 000312S

(G.B. BAGRODIA)

Partner

Membership No.: 14608

PLACE : Bangalore
DATE : 29-05-2010

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BALANCE SHEET

AS AT 31ST MARCH, 2010

PARTICULARS	SCHEDULE No.	31-03-2010 Rupees	31-03-2009 Rupees
I. SOURCES OF FUNDS :			
A. SHAREHOLDERS' FUNDS			
Share Capital			
Authorised share capital : 2,00,00,000 (2,00,00,000) Equity shares of Rs.10/- each		20,00,00,000	20,00,00,000
Issued, Subscribed and Paid up : 76,00,000 (76,00,000) Equity Shares of Rs.10/- each fully paid up		7,60,00,000	7,60,00,000
B. RESERVES AND SURPLUS	1	18,16,70,003	18,66,02,056
C. LOAN FUNDS	2	15,82,71,861	18,72,06,601
D. DEFERRED TAX LIABILITY (NET)		2,00,35,000	2,08,00,000
		<u>43,59,76,864</u>	<u>47,06,08,657</u>
II. APPLICATION OF FUNDS :			
A. FIXED ASSETS			
Gross Block	3	54,24,83,196	53,90,66,231
Less : Depreciation		32,86,91,051	30,43,29,871
Net Block		21,37,92,145	23,47,36,360
Capital Work in Progress		20,60,760	5,35,062
B. INVESTMENTS	4	8,75,000	10,00,000
C. CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets	5	18,52,91,731	20,37,64,842
Loans & Advances		6,47,72,296	6,62,41,132
		25,00,64,027	27,00,05,974
D. Less : CURRENT LIABILITIES AND PROVISIONS	6	3,09,38,089	3,59,14,779
NET CURRENT ASSETS		21,91,25,938	23,40,91,195
E. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	7	1,23,021	2,46,040
F. NOTES ON ACCOUNTS	18		
		<u>43,59,76,864</u>	<u>47,06,08,657</u>

As per our Report of even date
for **G. BAGRODIA & COMPANY**
Chartered Accountants
Firm Regn. No.000312S

(G.B. BAGRODIA)
Partner
Member No.14608

Place : Bangalore
Date : 29-05-2010

for and on behalf of the Board

SUSHIL KUMAR CHURIWALA
Chairman and Managing Director

ASHOK KUMAR SAHOO
Company Secretary

SANDEEP KUMAR CHURIWALA
Whole-time-Director

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	SCHEDULE No.	Current Year Rupees	Previous Year Rupees
INCOME :			
Turnover		20,30,25,554	29,84,08,915
Other Income	8	16,63,444	10,937
		<u>20,46,88,998</u>	<u>29,84,19,852</u>
EXPENDITURE :			
Raw Material Consumed	9	7,38,88,917	10,25,91,043
(Increase) / Decrease in Stocks	10	(3,30,746)	1,40,722
Manufacturing Expenses	11	2,95,95,741	3,43,33,999
Personnel Expenses	12	3,86,25,185	3,90,80,968
Administrative Expenses	13	1,33,47,647	1,48,11,402
Selling and Other Expenses	14	2,68,28,415	3,65,31,434
Financial Charges	15	1,12,37,254	1,59,67,685
Miscellaneous Expenditure Written Off		1,23,019	1,23,019
Cost of Goods Traded	16	54,095	64,18,864
Foreign Exchange Fluctuation	17	(78,01,067)	1,45,78,308
		<u>18,55,68,460</u>	<u>26,45,77,444</u>
Profit / Loss before Depreciation & Income Tax Provision		1,91,20,538	3,38,42,408
Depreciation		2,44,81,393	3,09,59,173
Profit before tax		(53,60,855)	28,83,235
Provision for :			
Income tax		—	30,30,000
Income Tax Adjustment of Earlier Years		3,36,198	(25,744)
Fringe benefit tax		—	9,00,000
Deffered tax (Ref. Note 10 of Sch. 18)		(7,65,000)	38,00,000
Profit after tax		(49,32,053)	(48,21,021)
Profit Brought Forward		9,66,02,056	10,14,23,077
Profit available for appropriation		<u>9,16,70,003</u>	<u>9,66,02,056</u>
Profit Transferred to General Reserve		—	—
Proposed dividend		—	—
Tax on dividend		—	—
Profit Carried to Balance Sheet		<u>9,16,70,003</u>	<u>9,66,02,056</u>
		<u>9,16,70,003</u>	<u>9,66,02,056</u>
Number of Equity Shares		76,00,000	76,00,000
Basic and Diluted earnings per Equity Share (Rs.)		(0.65)	(0.63)
(Face value of Rs.10/- per share)			
NOTES ON ACCOUNTS	18		

As per our Report of even date
for **G. BAGRODIA & COMPANY**
Chartered Accountants
Firm Regn. No.000312S

(G.B. BAGRODIA)
Partner
Member No.14608

Place : Bangalore
Date : 29-05-2010

ASHOK KUMAR SAHOO
Company Secretary

for and on behalf of the Board

SUSHIL KUMAR CHURIWALA
Chairman and Managing Director

SANDEEP KUMAR CHURIWALA
Whole-time-Director

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SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2010

PARTICULARS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
SCHEDULE 1 - RESERVES & SURPLUS :		
A. GENERAL RESERVE		
Opening Balance	9,00,00,000	9,00,00,000
Transferred from Profit & Loss Account	—	—
	<u>9,00,00,000</u>	<u>9,00,00,000</u>
B. PROFIT AND LOSS ACCOUNT - BALANCE	<u>9,16,70,003</u>	<u>9,66,02,056</u>
TOTAL	<u><u>18,16,70,003</u></u>	<u><u>18,66,02,056</u></u>

SCHEDULE 2 - LOAN FUNDS :

SECURED LOANS

1. State Bank of India :		
a) ** Rupee Term Loan (under TUF Scheme) (Repayable within one year Rs.1,64,00,000/- previous year Rs.2,05,00,000/-)	3,92,07,252	5,68,01,273
b) * Working Capital Loan	6,96,70,696	8,17,22,170
c) * SBI Buyers' Credit Account	2,01,95,865	—
2. Export Import Bank of India :		
a) ** Rupee Term Loan (under TUF Scheme) (Repayable within one year Rs.52,22,224/- previous year Rs.52,22,224/-)	2,35,00,001	2,87,22,223
b) *** Foreign Currency Loan (Repayable within one year Rs.56,98,047/- previous year Rs.1,28,62,500/-)	56,98,047	1,92,95,036
3. **** Karnataka Industrial Area Development Board (Inclusive of accrued interest up to 31-03-2004) (Repayable within one year Rs.NIL previous year Rs.6,65,899/-)	—	6,65,899
TOTAL	<u><u>15,82,71,861</u></u>	<u><u>18,72,06,601</u></u>

Note :

- 1 * Secured by First charge by way of hypothecation of Company's all present and future goods book debts, and all other movable assets except below mentioned item numbers 2 and 3 including documents of title to goods outstanding monies, receivables including receivables by way of cash assistance and or cash incentives or any other scheme, claims by way of customs, excise duties, duty draw back and any other scheme. Bills, invoices, documents, investments and rights and the present machinery and all future machinery belonging to or in possession of or under the control of the Company wherever lying stored and kept whether in possession of or under control of the Company or of the bank or any of the third parties.
2. ** Secured by exclusive charge on the respective Machineries.
3. *** Secured by the immovable property of the Company and personal guarantee of Three Directors.
4. **** Secured by Residential Quarters allotted by KIADB.
5. Secondary charge to SBI & Export Import Bank of India on assets other than the assets exclusively financed by both the Banks.

SCHEDULE 3 - FIXED ASSETS :

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	AS AT 01-04-2009	ADDITIONS (DELETIONS)	AS AT 31-03-2010	UPTO 31-03-2009	DURING 2009-10	UPTO 31-03-2010	AS AT 31-03-2010	AS AT 31-03-2009
Freehold Land	43,76,405	—	43,76,405	—	—	—	43,76,405	43,76,405
Leasehold Land (Including Development)	76,32,334	10,35,000	86,67,334	—	—	—	86,67,334	76,32,334
Buildings	10,03,61,510	(5,10,000)	9,98,51,510	2,62,65,623	28,01,506 (1,14,122)	2,89,53,007	7,08,98,503	7,40,95,887
Plant & Machinery	39,32,02,918	2,76,857	39,34,79,775	26,33,10,050	1,92,16,656	28,25,26,706	11,09,53,069	12,98,92,868
Electrical Installation	1,45,88,862	—	1,45,88,862	83,75,533	7,70,292	91,45,825	54,43,037	62,13,329
Factory and Office Equipments	71,53,759	7,17,638 (19,500)	78,51,897	33,91,360	6,80,708 (6,092)	40,65,976	37,85,921	37,62,399
Furniture & Fixtures	47,64,739	19,16,970	66,81,709	16,40,850	3,48,590	19,89,440	46,92,269	31,23,889
Vehicles	69,85,704	—	69,85,704	13,46,456	6,63,642	20,10,098	49,75,606	56,39,248
Total :	53,90,66,231	34,16,965	54,24,83,196	30,43,29,872	2,44,81,393 (1,20,214)	32,86,91,051	21,37,92,145	23,47,36,359
Previous Year :	53,10,89,805	1,20,20,717 (40,44,291)	53,90,66,231	27,49,20,407	3,09,59,173 (15,49,710)	30,43,29,871	23,47,36,360	25,61,69,398

Capital Works In Progress Rs.20,60,760/- (Previous Year Rs.5,35,062/-).

PARTICULARS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
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SCHEDULE 4 - INVESTMENTS :

1. HSBC Dynamic Fund	—	5,00,000
2. JP Morgan India Equity Fund	—	2,50,000
3. SBI Infrastructure Fund	2,50,000	2,50,000
4. Reliance Alternative Investment Fund	6,25,000	—
TOTAL	8,75,000	10,00,000

SCHEDULE 5 - CURRENT ASSETS, LOANS AND ADVANCES :
A. CURRENT ASSETS
(a) Inventories (As Certified by the Management)

Raw Materials * (Raw Yarn and Dyes and Chemicals)	42,23,167	1,88,59,346
Work in Progress **	3,89,33,114	6,16,35,890
Stores & Spares *	88,17,081	76,64,636
Finished Goods Manufactured ***	7,99,33,459	5,68,99,937
Finished Goods Traded ****	1,03,92,482	1,02,46,429
	14,22,99,303	15,53,06,238

Note : * Valued at Cost
 ** Valued at average Cost
 *** Valued at lower of average cost and net realisable value
 **** Valued at lower of cost and net realisable value

(b) Receivables (Unsecured & Considered good)

Sundry Debtors :		
Outstanding for more than six months	78,83,935	93,04,120
Others	2,99,41,437	3,60,03,404
	3,78,25,372	4,53,07,524

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PARTICULARS	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
(c) Cash & Bank Balances		
Cash in Hand	4,01,107	2,10,286
Balance with Scheduled Bank in EEFC Account	5,44,655	9,14,246
Balance with Scheduled Banks in Current Accounts	13,872	47,890
Term Deposit with State Bank of India	24,91,736	16,736
Dividend Accounts	17,15,686	19,61,922
	<u>51,67,056</u>	<u>31,51,080</u>
TOTAL OF - A	<u>18,52,91,731</u>	<u>20,37,64,842</u>
B. LOANS & ADVANCES :		
(Unsecured & Considered Good)		
ADVANCES :		
Advances for Capital expenditure	25,67,766	35,71,193
Advances for Purchases	5,09,27,552	4,62,91,439
Advances against Marketing expenses	6,20,437	5,60,166
Receivable from Government Departments	80,57,001	1,15,38,872
Prepaid expenses	2,28,545	7,06,586
Advances recoverable in cash or in kind or for value to be received	13,61,859	29,36,343
Advance Tax	1,17,603	—
DEPOSITS :		
With Government Departments	8,88,533	6,33,533
Others	3,000	3,000
	<u>6,47,72,296</u>	<u>6,62,41,132</u>
TOTAL OF - B	<u>6,47,72,296</u>	<u>6,62,41,132</u>
TOTAL (A + B)	<u>25,00,64,027</u>	<u>27,00,05,974</u>

SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS :

CURRENT LIABILITIES :		
Creditors for Supplies	25,28,523	28,50,429
Creditors for Capital Expenditure	19,90,327	18,50,399
Creditors for Expenses / Others	2,15,84,784	2,34,51,032
TDS Payable	3,12,821	3,59,850
Interest Accrued But not Due	2,28,173	1,39,301
Unclaimed dividend	17,15,711	19,51,899
PROVISIONS :		
Provision for Gratuity	12,99,678	14,38,961
Provision for Leave Salary	12,78,072	12,34,381
Provision for Income Tax	—	26,38,527
Proposed Dividend	—	—
TOTAL	<u>3,09,38,089</u>	<u>3,59,14,779</u>

SCHEDULE 7 - MISCELLANEOUS EXPENDITURE :

(To the extent not written off or adjusted)		
Share Capital Increase Expenses	1,23,021	2,46,040
TOTAL	<u>1,23,021</u>	<u>2,46,040</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULARS	Current Year Rupees	Previous Period Rupees
SCHEDULE 8 - OTHER INCOME :		
Interest Received (TDS Rs.NIL previous year Rs.NIL)	30,087	10,937
Liabilities no longer required / Assets not realisable	9,61,522	—
Miscellaneous Receipt / Dividend (TDS Rs.NIL, previous year Rs.NIL)	5,69,121	—
Profit on sale of Fixed Assets	1,02,714	—
TOTAL	16,63,444	10,937
SCHEDULE 9 - RAW MATERIALS CONSUMED :		
(a) Silk Yarn		
Opening Stock	1,77,88,218	1,24,74,985
ADD : Purchases	5,42,86,125	10,10,99,706
	<u>7,20,74,343</u>	<u>11,35,74,691</u>
LESS : Closing Stock	35,61,501	1,77,88,218
Silk Yarn Consumed	<u>6,85,12,842</u>	<u>9,57,86,473</u>
(b) Dyes and chemicals consumed		
	<u>53,76,075</u>	<u>68,04,570</u>
TOTAL	7,38,88,917	10,25,91,043
SCHEDULE 10 - (INCREASE) / DECREASE IN STOCK :		
CLOSING STOCK :		
Work-in-Progress	3,89,33,114	6,16,35,890
Finished Goods	7,99,33,459	5,68,99,937
	<u>11,88,66,573</u>	<u>11,85,35,827</u>
OPENING STOCK :		
Work-in-Progress	6,16,35,890	7,88,99,098
Finished Goods	5,68,99,937	3,97,77,451
	<u>11,85,35,827</u>	<u>11,86,76,549</u>
TOTAL	(3,30,746)	1,40,722
SCHEDULE 11 - MANUFACTURING EXPENSES :		
Power & Fuel	1,85,91,875	1,86,30,470
Embroidery & Processing Charges	66,51,115	1,06,66,977
Repairs & Maintenance (Buildings)	14,06,413	12,56,890
Repairs & Maintenance (Machinery)	9,26,856	13,33,020
Stores & Spares Consumed	20,19,482	24,46,642
TOTAL	2,95,95,741	3,43,33,999
SCHEDULE 12 - PERSONNEL EXPENSES :		
Salaries & Wages	3,39,22,115	3,51,44,831
Contribution to Employees State Insurance and Provident Fund	27,09,373	25,84,316
Workmen and Staff Welfare Expenses	19,93,697	13,51,821
TOTAL	3,86,25,185	3,90,80,968

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PARTICULARS	Current Year Rupees	Previous Period Rupees
<u>SCHEDULE 13 - ADMINISTRATIVE EXPENSES :</u>		
Rent, Rates & Taxes	9,84,772	11,33,984
Travelling and Conveyance	26,34,677	30,15,107
Audit Fees & Professional Charges	2,20,600	1,10,300
Printing & Stationery	4,95,019	3,61,804
Insurance	1,76,064	2,17,827
Communication Expenses	6,79,200	7,34,225
Books & Periodicals	1,15,226	2,72,005
Legal & Professional Charges	8,83,512	7,19,417
Vehicle Maintenance	8,07,807	8,57,776
Membership & Subscription	1,59,363	1,70,911
Repairs & Maintenance	10,64,161	14,84,131
Directors' remuneration	35,59,300	37,72,100
Directors fees	50,000	42,500
Security Charges	7,09,632	7,33,621
Miscellaneous Expenses	5,96,179	5,42,772
Donation & Contributions	1,25,546	56,000
Loss on Sale of Fixed Assets	—	4,68,581
Advertisement & Publicity	86,589	1,18,341
TOTAL	1,33,47,647	1,48,11,402
<u>SCHEDULE 14 - SELLING & OTHER EXPENSES :</u>		
Business & Export Promotion Expenses	64,44,642	79,03,221
Packing & Forwarding	72,07,723	1,21,44,600
Insurance & ECGC Premium	3,53,580	1,60,552
Commission on Sales	68,40,605	95,12,608
Research & Development	50,89,636	46,94,249
Other Selling Expenses	8,92,229	21,16,204
TOTAL	2,68,28,415	3,65,31,434
<u>SCHEDULE 15 - FINANCIAL CHARGES :</u>		
Interest on Secured loans	90,27,956	1,27,24,010
Interest Others	—	25,396
Bank Charges & Other financial charges	22,09,298	32,18,279
TOTAL	1,12,37,254	1,59,67,685
<u>SCHEDULE 16 - COST OF GOODS TRADED :</u>		
Opening Stock	1,02,46,429	91,45,617
Add : Purchases	2,00,148	75,19,676
Processing charges	—	—
	1,04,46,577	1,66,65,293
Less : Closing Stock	1,03,92,482	1,02,46,429
TOTAL	54,095	64,18,864
<u>SCHEDULE 17 - FOREIGN EXCHANGE FLUCTUATION :</u>		
Foreign Exchange Fluctuation	(78,01,067)	1,45,78,308
TOTAL	(78,01,067)	1,45,78,308

SCHEDULE 18 - NOTES ON ACCOUNTS :
A. SIGNIFICANT ACCOUNTING POLICIES :
1. Accounting Concepts :

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis except for insurance claims, which is accounted for on cash basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles. The financial statements have been prepared to comply in all material respects with the notified Accounting Standard under Companies Accounting Standard Rules, 2006.

2. Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operation during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from estimates.

3. Fixed Assets :

Fixed Assets are stated at cost less depreciation. Cost of fixed assets is inclusive of incidental expenses incurred upto the date of commissioning of project, interest on borrowings up to the date of capitalization. Exchange losses or gains arising on specific foreign currency loans taken for acquiring the assets and cancellation of forward exchange contract relating to the acquisition of fixed assets charged to profit and loss account.

4. Depreciation :

Depreciation is provided on pro-rata basis under straight-line method in accordance with Schedule XIV of the Companies Act, 1956. Depreciation on electrical installation and factory equipments is provided at accelerated rate of 5.28%. Wherever revision in cost has occurred due to increase or decrease in long term liability on account of exchange fluctuation, changes in duties or similar factors, the depreciation on the revised unamortised depreciable amount is provided prospectively over the remaining useful life of the assets.

5. Impairment Assets :

In accordance with Accounting Standard 28 – Impairment of Assets issued by ICAI, the carrying amounts of assets are reviewed, if there is any impairment indicator, at each balance sheet date in order to ascertain impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use.

6. Investment :

Investments are stated at cost less provision for permanent diminution in value, if any.

7. Segmental Reporting :

As per the requirement of the Accounting Standard 17 - 'Segment Reporting' issued by ICAI, the segmental reporting has been provided in Notes on Accounts.

8. Foreign Currency Transactions :

Initial Recognition : Transactions in foreign currency entered during the year are recorded at the exchange rates prevailing on the date of the transaction.

Conversions : Monetary assets and liabilities denominated in foreign currency are translated into rupees at exchange rate prevailing on the date of Balance sheet.

Exchange Differences : All exchange rate differences relating to monetary items are dealt with in the profit and loss account.

9. Inventories :

Finished Goods (Manufactured)	: Valued at lower of estimated average cost and net realisable value.
Finished Goods (Traded)	: Valued at lower of cost and net realisable value.
Raw Materials	: At Cost (FIFO)
Work-in-progress and Processed Yarn	: Valued at estimated average cost.
Consumables	: At Cost (FIFO)
Import License	: At net realizable value
Waste Scrap	: At net realisable value

Cost of Inventories : The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value : Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

10. Taxes on Income :

- The tax payable method is followed for providing current tax liability. The difference between provisions and payments, if any, are recognized in the year in which assessment is completed.
- Deferred tax benefit or expenses is recognized on timing difference between taxable income and accounting income that originate in one period and are capable reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted upto the balance sheet date.

11. Earning Per Share :

Basic earning per share is computed by dividing net profit or loss after tax by the weighted average number of equity shares outstanding for the period.

Diluted earnings per share is computed by dividing net profit or loss after tax by the weighted average number of equity shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

12. Provisions :

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that outflow of resources will be required to settle obligation in respect of which a reliable estimate can be made.

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13. Cash and Cash equivalents :

Cash and Cash equivalents in the cash flow statements comprise cash at bank and in hand and short term investments with an original maturity of three months or less and include dividend account balance, which is not available for Company's use.

14. Recognition of Revenue :

Revenue from sale of goods is recognized on dispatch. Sales are net of rebates and price concession. Export sales are recognized on the basis of bill of lading. Income, Expenditure and Export Incentives / Benefits are accounted for on accrual basis.

15. Repairs & Replacements :

Repairs and Replacement expenses are charged to profit and loss account as and when incurred.

16. Prior Year Adjustments :

Besides the debit / credit in previous year adjustment account, amounts related to previous year, raised / settled during the year have been debited / credited to respective heads of accounts.

17. Miscellaneous Expenditure :

- Preliminary Expenses are being written off over a period of 10 years.
- Public Issue Expenses are amortised and being written off over a period of 10 years.
- Market Development expenses are amortised and being written off over a period of 10 years.
- Share Capital Increase expenses are amortized and being written off over a period of 5 years.

18. Employee Benefit :

- Provident Fund** : All the employees of the Company are entitled to receive benefits of the provident fund, a defined contribution plan managed by or recognized fund management Company in which both employees and the Company contributed at a stipulated monthly rate. The Company has no liability for future provident fund benefits other than its annual contribution as an expenses in the year it is incurred.
- Gratuity** : The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan managed by or recognized fund management Company provides for lump sum payments to employees at retirement, death while in employment or termination of employment. The Company account for liability of future gratuity benefits based on an actuarial valuation on projected unit credit method carried out annually for assessing liability at the balance sheet date as per revised AS-15.
- Leave Encashment** : Short term compensated absences are provided based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per revised AS-15. Actuarial gain / losses are immediately taken to profit and loss account.

19. Research and Development :

Expenses related to the sample developments, improvement in the quality of the current products and innovation of new products and cost of processes related thereto are included in Research and Development including human resources and cost of in-house developed fabrics reduced by the amount received of samples, if any.

20. General :

Accounting policies, which are not specifically referred to, are consistent with generally accepted accounting practices.

B. NOTES FORMING PART OF ACCOUNTS

- Work in Progress and manufactured finished goods have been valued on the basis of costing records maintained by the Company and certified by the cost accountant.
- Building includes a sum of Rs.NIL (Previous year Rs.5,10,000/-) being the cost of tenements for staff allotted by KIADB. The same Building has been surrendered to KIADB for poor quality and necessary adjustments has been done. An amount of Rs.2,55,000/- is receivable from KIADB.
- Building Construction at factory land at site No.41 allotted by KIADB at Industrial Area, Hoskote is in progress. Upon completion of the construction of the factory building, KIADB has agreed to register the land in the name of the Company.
- The registration of the office building is under process and is expected to be completed shortly. The registration charges and other expenses is estimated at Rs.20,10,000/- has not been provided.
- Quantitative details :**

Class of goods : Natural silk / Silk blended fabrics

	Current Year	Previous Year
Installed capacity (Mtrs)* (Annual)	7,75,000	7,75,000
(a) Production		
Fabrics (Mtrs)** (net of shrinkage)	2,80,174	4,38,004
Made-ups (Pcs)	32,905	24,058

* As certified by the management and relied on by the auditors being a technical matter.

** Includes samples 2,948 Mtrs (previous year 3,545 Mtrs), 12,037 Mtrs issued for converting into 32,905 made-ups (previous year 24,058).

(b) Raw materials consumed	Current Year		Previous Period	
	Quantity Kgs.	Amount Rs.	Quantity Kgs.	Amount Rs.
Silk Yarn	49,727	6,57,28,001	80,595	9,32,37,637
Other Yarn	9,266	27,84,841	7,635	25,48,836
Dyes and Chemicals (Indigenous)		53,76,075		61,44,591
Dyes and Chemicals (Imported)		—		6,59,979

(c) Value of imported and indigenous raw materials consumed and percentage of each to the total consumption.	Percentage %	Amount Rs.	Percentage %	Amount Rs.
	Imported	88.96	6,57,28,001	90.88
Indigenous	11.04	81,60,916	9.12	86,93,427
	100.00	7,38,88,917	100.00	10,25,91,043

(d) Value of imported and indigenous stores and components consumed and percentage of each to the total consumption.	Percentage %	Amount Rs.	Percentage %	Amount Rs.
	Imported	70.57	14,25,126	71.06
Indigenous	29.43	5,94,356	28.94	7,08,019
	100.00	20,19,482	100.00	24,46,642

(e) CIF value of imports :		
Raw Silk Yarn	5,13,01,975	9,62,59,456
Dyes and Chemicals	—	6,27,635
Stores & Spares	13,27,134	37,65,753
Purchase of Miscellaneous	33,347	26,497
Purchase of Packing Materials	20,216	—

(f) Opening stock, purchases, turnover and closing stock of finished goods :	Qty. in Mtrs (Unless stated otherwise)	Amount Rs.	Qty. in Mtrs (Unless stated otherwise)	Amount Rs.
	Natural silk fabrics :			
i. Opening stock				
Manufactured *	1,24,298	5,10,29,986	1,01,186	3,97,77,451
Traded	37,681	1,02,46,429	30,985	91,45,617
Made-ups	—	—	—	—
ii. Purchases				
Traded	933	2,00,148	26,737	75,19,676
iii. Turnover / samples				
Manufactured **	2,71,592	20,27,56,321	4,13,993	28,87,60,360
Traded ***	434	2,69,233	20,041	96,48,555
Made-ups	—	—	—	—
iv. Closing stock				
Manufactured ****	1,31,280	7,99,33,459	1,24,298	5,10,29,986
Traded	38,180	1,03,92,482	37,681	1,02,46,429
Made-ups	—	—	—	—

* Includes samples 32,809 Mtrs (previous year 35,769 Mtrs)

** Includes samples 1,064 Mtrs (previous year 5,193 Mtrs) and includes 12,037 Mtrs (previous year 8,247 Mtrs) used for converting in to 32,905 pcs (previous year 24,058 pcs) of Made-ups.

*** Includes samples 63.60 Mtrs (previous period 94.40 Mtrs)

**** Includes 1,077 Mtrs (previous period 1,648 Mtrs), converted to samples and 1,979 Mtrs (previous year 4,797 Mtrs) of export sales returns.

6. Advances for purchases and recoverable in cash or kind include an amount of Rs. 4,25,42,975/- (previous year Rs.4,54,78,476/-) due from Companies / Firms / Others, which are long pending. The management considers that all these advances as good for recovery.

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7. In the opinion of the management, the value on realisation of current assets and loans & advances in the ordinary course of business, would not be less than the amount at which they are stated in the Balance Sheet.
8. Estimated amount of capital contracts remaining to be executed & not provided for at the end of the period (net of advances) is Rs.2,47,19,874/- (previous period Rs.2,37,55,224/-).
9. Payment against supplies from all undertakings are made in accordance with the agreed credit terms. There was no amount overdue outstanding as on 31st March, 2010 to the suppliers. We do not have the required information about suppliers, who are the small scale undertakings.

10. Deferred tax :

The Company reviewed the Deferred tax assets and the liabilities at the end of the year. The net deferred tax liability is estimated at Rs. 2.00 crore. The deferred tax liability is mainly on account of difference in carrying value of fixed assets between book figures and income tax records in accordance with Accounting Standard-22 "Accounting for Taxes on Income" as under :

Particulars	As at 31-03-2010	As at 31-03-2009
A) Deferred Tax Liability		
Timing difference on account of Income tax on Deferred Tax Liability	2,00,31,192	2,07,67,581
Gross Deferred Tax Liability	2,00,31,192	2,07,67,581
B) Deferred Tax Assets		
Unabsorbed depreciation	Nil	Nil
Income tax on Deferred Tax Assets	Nil	Nil
Gross Deferred Tax Asset	—	—
Deferred Tax Liability (Net) (A-B) (Round Off)	2,00,35,000	2,08,00,000
11. Earnings in foreign currency :	Current Year	Previous Year
FOB value of exports	19,19,00,157	27,12,66,918
Research & development & Samples	71,454	29,605
12. Expenditure in foreign currency :		
Export promotion expenses	45,92,597	56,93,440
Commission on export sales	68,40,605	95,12,608
Stores and Spares	13,27,134	37,63,753
Purchase of Miscellaneous	53,563	26,497
Interest on foreign currency loan	5,94,891	16,62,546
Bank charges	14,82,129	14,50,477
Rebate and discount	8,21,575	20,75,390
TOTAL	1,57,12,494	2,41,84,711

13. Computation of Net profit in accordance with Section 349 of the Companies Act, 1956 and Commission payable to Whole-time Directors :

Remuneration payable to Whole-time Directors :

	Current Year	Previous Year
Profit before tax as per Profit and Loss A/c	(53,60,855)	28,83,235
Add : 1. Managerial Remuneration	36,09,300	38,14,600
2. Loss on sale of Fixed Assets	62,068	—
Less : 3. Profit on sale of Fixed Assets	(1,02,714)	4,68,581
	(17,92,201)	62,29,254
Eligible under Section 309	—	6,22,925
Managerial Remuneration :		
Remuneration to Whole-time Directors		
Salary and Allowances	35,59,300	37,72,100
Commission	—	—
	35,59,300	37,72,100
Sitting Fees	50,000	42,500
	36,09,300	38,14,600

The remuneration paid by the Company exceeds the limit specified under Section 309 of the Companies Act, 1956. However, above remuneration is paid within the limits specified in Schedule XIII of the said Act.

14. Travelling & conveyance and business & export promotion expenses include Rs.1,59,401/- (previous period Rs.1,74,003/-) & Rs.45,57,976/- (previous period Rs.37,55,755/-) respectively relating to directors travelling.

15. Payment to auditors :	Current Year	Previous Period
Audit fees	1,98,540	99,270
Tax audit fees	22,060	11,030
Other services	1,55,241	98,034
	<u>3,75,841</u>	<u>2,08,334</u>

16. Research and development expenses are net of development charges received Rs.71,454/- (previous period Rs.29,605/-)

17. The Company is primarily engaged in manufacturing of Natural silk fabrics / Silk blended fabrics and to a limited extent in trading of silk fabrics. Hence the Company represents its financial statements on an overall basis. In the opinion of the management there is only silk fabric manufacturing. The business volume in traded goods is insignificant and is not treated as a separate segment. However, the distribution of Company's export Sale by geographic location and inland DTA sale is given below as a secondary segment.

Geographical Location	2009-10	2008-09
USA / Canada	3,47,45,218	6,56,01,296
Europe / UK	9,35,10,538	11,06,92,335
Asian Countries	3,02,22,709	5,11,81,212
Other Countries	4,37,83,891	7,09,34,072
DTA Sales (India)	7,63,198	—
	<u>20,30,25,554</u>	<u>29,84,08,915</u>

The turnover is net of foreign exchange fluctuation of debit balance of Rs.16,88,726/- (previous year credit balance of Rs.22,21,205/-)

18. Details of Related party transactions (As identified by the Management and relied upon by the Auditors)

A. Related Parties

(i) Companies where control exists	(ii) Key Management Personnel (KMP)
Siltex International Limited	Sushil Kumar Churiwala
Silcotex Private Limited	Sandeep Kumar Churiwala
Saswath Finserve Private Limited	Saket Kumar Churiwala
(iii) Relatives of Directors	
Deepika Churiwala	
Premlata Churiwala	
Manisha Churiwala	

B. Transactions with Related Parties during the year

Nature of Transactions	(in Rs.)		
	Co's where Control exists	Key Management	Relatives personnel
Remuneration	—	35,59,300	11,39,800
Sale of goods	3,86,823	—	—

C. Outstanding as on 31-03-2010

Receivable	—	—	—
Payables	—	—	—

19. Basic earning per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per share is same as the Company has not issued any dilutive potential equity shares.

	2009-10	2008-09
a) Net Profits after Tax (Loss) (in Rs.)	(49,32,053)	(48,21,021)
b) Number of Equity Shares for Calculating Basic EPS	76,00,000	76,00,000
c) Number of Equity Shares for Calculating Diluted EPS	76,00,000	76,00,000
d) Basic EPS [a/b]	(0.65)	(0.63)
e) Diluted EPS [a/c]	(0.65)	(0.63)

Annual Report 2009-10

20. Employee Benefit Obligations :

The Company has complied with Accounting Standard 15 (Revised 2005) and the required disclosure are given here under :

a) Defined Benefit Plans (Gratuity) :

Particulars	Current Year	Previous Year
i) Reconciliation of opening and closing balances of defined benefit obligation		
a) At the beginning of the year	65,19,775	49,40,095
b) Current Service Cost	7,78,078	6,07,644
c) Interest Cost	5,58,971	4,39,586
d) Actuarial (Gain) Loss	(2,04,138)	6,38,267
e) Benefits paid	(1,70,649)	(1,05,817)
f) Defined Benefits Obligation at your end	74,82,037	65,19,775
ii) Actual Return on Plan Assets		
a) Expected return on plan assets	3,99,705	4,12,082
b) Actuarial (Gain) / Loss	8,71,670	(4,28,561)
c) Actual return on plan of assets	12,71,375	(16,479)
iii) Reconciliation of opening and closing balances of fair value of plan assets		
a) At the beginning of the year	50,81,633	30,03,929
b) Expected Return on plan assets	3,99,705	4,12,082
c) Actuarial (Gain) / Loss	8,71,670	(4,28,561)
d) Employer Contribution	—	22,00,000
e) Benefits paid	(1,70,649)	(1,05,817)
f) Fair value of plan assets at the year end	61,82,359	50,81,633
iv) Reconciliation of fair value of obligations and Assets		
a) Present value of obligation as at year end	74,82,037	65,19,775
b) Fair value of plan assets as at year end	61,82,359	50,81,633
c) Amount recognised in Balance Sheet (a-b)	(12,99,678)	(14,38,142)
v) Expenses recognised during the year		
a) Current Service Cost	7,78,078	6,07,644
b) Interest Cost	5,58,971	4,39,586
c) Expected return on plan assets	(3,99,705)	(4,12,082)
d) Actuarial (Gain) / Loss	(10,75,808)	10,66,828
e) Net Cost (a+b+c+d)	(1,38,464)	17,01,976
vi) Balance Sheet Reconciliation		
a) Opening net liability	14,38,142	19,36,166
b) Expenses	(1,38,464)	17,01,976
c) Employers Contribution	—	22,00,000
d) Amount recognised in Balance Sheet	12,99,678	14,38,142
vii) Actuarial Assumptions At the Balance Sheet date		
a) Discount Rate	7.75%	7.75%
b) Expected Rate of return on plan of Assets	8.00%	8.00%
c) Future Salary Increase	6.00%	6.00%

b) Defined Contribution Plans

	Current Year	Previous Period
Employers Contribution to Provident Fund	20,07,501	19,87,450
Employers Contribution to ESI	8,09,719	7,96,627

21. Contingent liabilities not provided for at the year end :

Counter guarantees given to Bank by the Company for guarantees given by bankers on behalf of the Company is Rs.3,50,000/- (previous period Rs.3,50,000/-).

22. As per the prevailing laws and guidelines, the Company being a 100% Export Oriented Unit has been exempted from Customs and Central Excise duty levies. Such exemptions are subject to fulfillment of certain terms and conditions. The Company has executed legal undertakings to pay the duties and other applicable levies in respect of duty free imports in the event of non-fulfillment of such terms and conditions.

23. An entry tax demand of Rs.1,54,253/- has been raised by commercial tax department. The Company has preferred an appeal before the Asst. Commissioner of commercial tax. As such no provision has been made for the same. Further under Section 73 & 75 of the Finance Act, 1975, service tax demand for Rs.1,28,804/- for the period from 1st January, 2005 to 31st March, 2007 has been raised by service tax department. Company has presented an appeal before the Commissioner of Central Excise (Appeals), hence the provision has not been made for the same.

24. Investment :

Details of NAV of Investments (Non-Trade-Quoted)

Particulars	As on	As on	As on	As on
	31-03-2010	31-03-2009	31-03-2010	31-03-2009
	Quantity	Quantity	NAV	NAV
SBI Infrastructure Fund	25000	25000	Rs.2,58,500/-	Rs.1,41,250/-
Reliance Alternative Investment Fund	62500	—	Rs.6,25,000/-	—
Total Value			Rs.8,83,500/-	Rs.1,41,250/-

25. Export Sales include Rs.55,16,913/- (previous year Rs.NIL) being the value of the goods invoiced against confirmed orders and shipped after 31st March, 2010.

26. No Remittances in Foreign Currency on account of dividends were made during the year.

27. Miscellaneous Expenses includes Rs.62,068/- (previous year Rs.NIL) for loss on sale of investments.

28. Previous period's figures have been re-grouped / re-arranged wherever necessary.

29. Paises are rounded off to the nearest rupee.

As per our Report of even date
for **G. BAGRODIA & COMPANY**
Chartered Accountants
Firm Regn. No.000312S

(G.B. BAGRODIA)
Partner
Member No.14608

Place : Bangalore
Date : 29-05-2010

for and on behalf of the Board

SUSHIL KUMAR CHURIWALA
Chairman and Managing Director

ASHOK KUMAR SAHOO
Company Secretary

SANDEEP KUMAR CHURIWALA
Whole-time-Director

Annual Report 2009-10

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Indirect method)

PARTICULARS	(12 Months) 31-03-2010 Rupees	(12 Months) 31-03-2009 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation	(53,60,855)	28,83,236
Depreciation	2,44,81,393	3,09,59,173
Miscellaneous Expenses Written Off	1,23,019	1,23,019
Interest Income	(30,087)	(10,937)
Interest debited to Profit & Loss Accounts	90,27,956	1,27,49,406
Provision for Gratuity and leave Salary	(95,592)	(31,79,505)
Loss on sale of Investments	62,069	—
Profit / Loss on sale of Fixed Assets	(1,02,714)	4,68,581
Operating Profit before changes in Working Capital	<u>2,81,05,189</u>	<u>4,39,92,973</u>
(Increase) / Decrease in Inventories	1,30,06,935	(97,21,707)
(Increase) / Decrease in Receivables, Loans & Advances	80,65,164	(1,23,64,884)
Increase / (Decrease) in Current Liabilities	<u>(22,35,183)</u>	<u>56,96,932</u>
Cash Flow from Operations	4,69,42,105	2,76,03,314
Income Tax paid	<u>(30,92,328)</u>	<u>(39,44,602)</u>
Net Cash flow from Operating Activities	<u><u>4,38,49,777</u></u>	<u><u>2,36,58,712</u></u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(38,06,760)	(1,23,09,980)
Investment Net	62,932	—
Sale of Fixed Assets	—	20,26,000
Interest Received	30,087	10,937
Net Cash flow from Investing activities	<u>(37,13,741)</u>	<u>(1,02,73,043)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of Long Term Borrowings	(3,70,79,131)	(2,34,60,390)
Proceeds of Short Term Borrowings	81,44,391	3,02,47,338
Interest Paid	(89,39,084)	(1,28,18,056)
Dividend Paid	(2,46,236)	(65,41,718)
Net Cash used in Financing activities	<u>(3,81,20,060)</u>	<u>(1,25,72,826)</u>
NET CASH FLOW	<u><u>20,15,976</u></u>	<u><u>8,12,843</u></u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at the end of the year	51,67,056	31,51,080
Cash and Cash Equivalents at the beginning of the year	31,51,080	23,38,237
	<u><u>20,15,976</u></u>	<u><u>8,12,843</u></u>

* Cash and Cash Equivalents includes dividend account balance of Rs.17,15,686/- (Previous Year Rs.19,61,922/-), which is not available for Company's use.

As per our Report of even date
for **G. BAGRODIA & COMPANY**
Chartered Accountants
Firm Regn. No.000312S

(G.B. BAGRODIA)
Partner
Member No.14608

Place : Bangalore
Date : 29-05-2010

ASHOK KUMAR SAHOO
Company Secretary

for and on behalf of the Board

SUSHIL KUMAR CHURIWALA
Chairman and Managing Director

SANDEEP KUMAR CHURIWALA
Whole-time-Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional Information as required under Part IV Schedule VI to the Companies Act, 1956.

I. REGISTRATION DETAILS

Registration No.	14691
State Code	08
Balance Sheet Date	31-03-2010

II. CAPITAL RAISED DURING THE YEAR

Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Rs. in '000)

Total Liabilities	4,35,977	Total Assets	4,35,977
SOURCE OF FUNDS		APPLICATION OF FUNDS	
Paid up Capital	76,000	Net fixed Assets	2,13,792
Reserves and Surplus	1,81,670	Work in Progress	2,061
Secured Loans	1,58,272	Investments	875
Unsecured Loans	—	Net Current Assets	2,19,126
Deferred Tax	20,035	Miscellaneous Expenditure	123
		Accumulated Losses	—

IV. PERFORMANCE OF COMPANY

Turnover	2,03,026
Total Expenditure	2,10,050
Profit / (Loss) before Tax	(5,361)
Profit / (Loss) after Tax	(4,932)
Earnings per Share in Rupees	(0.65)
Dividend Rate	—

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF COMPANY

Item Code No.	500720.07
Product Description	Natural Silk (Grey / Dyed)

for and on behalf of the Board

SUSHIL KUMAR CHURIWALA
Chairman and Managing Director

Place : Bangalore
Date : 29-05-2010

ASHOK KUMAR SAHOO
Company Secretary

SANDEEP KUMAR CHURIWALA
Whole-time-Director

Annual Report 2009-10

Operating Results 2001-2010

(Rs. in lakhs)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	(15 months)		(9 months)							
Total Income	2,088.02	2,202.12	1,737.15	1,391.21	2,427.13	2,977.41	3,233.04	2,754.11	2,984.19	2,046.89
Operating Profit	755.99	868.96	620.66	450.48	707.35	823.89	904.61	691.58	498.10	303.58
Interest	202.83	206.78	134.64	77.14	89.48	105.74	123.41	133.73	159.67	112.37
Depreciation	132.50	288.34	260.08	193.53	302.57	315.99	366.43	410.28	309.59	244.81
Prior period items	—	0.01	(15.17)	8.64	—	—	—	—	—	—
Profit Before Tax	420.66	373.82	241.10	171.17	315.30	402.16	414.77	147.57	28.83	(53.61)
Taxes	1.26	3.00	1.50	0.50	(59.25)	(2.30)	43.50	138.33	77.04	(4.29)
Net Profit	419.40	370.82	239.60	170.67	374.55	404.46	371.27	9.24	(48.21)	(49.32)
Dividend	—	57.00	60.80	68.40	114.00	114.00	114.00	57.00	—	—
EPS	5.52	4.88	2.76	2.25	4.93	5.32	4.89	0.12	(0.63)	(0.65)
Dividend per share	—	0.75	0.80	0.90	1.50	1.50	1.50	0.75	—	—

Sources and Application of Funds 2001-2010

Equity	760.00	760.00	760.00	760.00	760.00	760.00	760.00	760.00	760.00	760.00
Reserves	836.83	1,150.66	1,321.67	1,214.93	1,459.31	1,733.79	1,971.68	1,914.23	1,866.02	1,816.70
Loan Funds	1,675.75	1,551.86	1,210.46	994.75	1,006.12	1,560.13	1,702.96	1,804.19	1,872.06	1,582.72
Deferred Tax	—	—	—	200.25	140.00	130.00	110.00	170.00	208.00	200.35
Fixed Assets (Net)	2,191.76	2,157.36	1,945.68	1,921.80	2,194.32	2,414.25	2,290.86	2,596.63	2,352.71	2,158.53
Net Current Assets	1,058.18	1,288.24	1,334.12	1,239.23	1,166.80	1,769.67	2,248.86	2,038.10	2,340.91	2,191.26
Deferred Expenditure	22.65	16.92	12.34	8.91	4.33	—	4.92	3.69	2.46	1.23
Debt:Equity Ratio	1.05:1	0.81:1	0.58:1	0.50:1	0.45:1	0.63:1	0.62:1	0.67:1	0.71:1	0.61:1



Regd. Office : # 23-29, St. Marks' Road, Bangalore - 560 001

PROXY FORM

Registered Folio No. No. of Shares

DPID No. Client ID No.

I / We

of in the district of

hereby appoint of

in the district of

or failing him of

in the district of

as my / our Proxy to vote for me / us on my / our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING of the Company to be held on 27-09-2010 and at any adjournment there of

Signed this day of 2010

Signature

NOTE : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.



Regd. Office : # 23-29, St. Marks' Road, Bangalore - 560 001

ATTENDANCE SLIP

SEVENTEENTH ANNUAL GENERAL MEETING
27-09-2010

Registered Folio No. No. of Shares

DPID No. Client ID No.

I certify that I am a Registered Shareholder / Proxy for the Registered Shareholder of the Company.

I hereby record my presence at the SEVENTEENTH ANNUAL GENERAL MEETING of the Company at 10.30 A.M. at Woodlands Hotel, # 5, Rajaram Mohan Roy Road, Bangalore - 560 025.

Member's / Proxy's Name in BLOCK Letters

Member's / Proxy's Signature

NOTE : Please fill in this attendance slip and hand it over at the ENTRANCE of the Meeting Hall.

